



2016 KANSAS LEGISLATIVE E-REPORT #18

Paul Johnson – June 29, 2016

SCHOOL FUNDING FUTURE

The special legislative session has come and gone. The Legislature passed a patch to the 2017 school block grant by using one-time funds and moving funds from other programs. The Kansas Supreme Court has now ruled that this patch will fix the school equity issue for next year so public schools will remain open after July 1. The long-term fix to school funding was not discussed and will fall to the 2017 Kansas Legislature that will be comprised of a few dozen new members. Until the revenue crisis is fixed, adequate school funding will be impossible given that K-12 public education accounts for 50% of the state budget. School funding will be one of the top issues in the 2016 fall elections.

This school funding patch was constructed with many parts. One time funding of \$13 million from the sale of the Kansas Bioscience Authority was grabbed. Funding was taken from the federal Temporary Assistance for Needy Families (TANF) block grant and directed to the Parents as Teachers program. These funds are means tested so some parents will have to pay for the services. \$10.5 million in tobacco settlement funds - meant for early childhood programs - were raided. The Kansas Department of Transportation was tapped for \$5 million. \$2.8 million in school virtual aid was redirected. While classroom funding was protected for all 286 school districts, local option budget equalization aid was impacted so that the wealthiest districts –such as in Johnson County were cut \$4.7 million to assist the poorest districts.

The real school funding battle will play out in 2017. A district court panel in Shawnee County has already ruled that the existing school funding formula is inadequate to the tune of \$400-500 million. This case is on appeal to the Kansas Supreme Court but has not been set for hearings. The two year block grant expires on July 1, 2017 unless the Legislature extends it another year. The revenue picture for the State continues to darken. May receipts were down \$75 million and June receipts are predicted to be down as well. Budget tricks such as moving school payments from June to July for the new

fiscal year will be employed. The State will borrow \$900 million from internal accounts – a certificate of need - in July to cash flow payments over the 2017 fiscal year. This mess will land on the plate of the 2017 Kansas Legislature next January. There will be a new Speaker of the Kansas House and many changes in the Kansas Senate. The Governor enters the final two years of his governorship. Very serious, focused leadership will be required to fix the revenue crisis, respond to further Court action on adequate school funding and develop a new school funding formula for Kansas.

A GENERATIONAL ELECTION IN 2016

Elections matter. Kansas has fundamental challenges that cannot be ignored any longer. The self-inflicted revenue crisis threatens the future quality of life in Kansas. Kansas has a serious affordable housing problem statewide. Energy policy deserves a more thorough debate. Kansas has begun a local food and farm dialogue that should expand and incorporate a stronger health component. Medical and mental health services for thousands of uninsured residents should be a priority. The basics of the Kansas economy should be the top feature of the coming elections. There are no easy answers or silver bullets but Kansans deserve an election debate that has some meaning and substance.

The revenue crisis will necessitate many changes. Reinstating a top bracket for the wealthiest individual income taxpayers is one step bringing in over \$400 million. The 333,000 businesses (limited liability corporations, sole proprietorships, subchapter S corporations) should pay income tax on non-wage earnings over \$100,000 and this would cut the tax loss to Kansas from \$250 million to \$25 million. A 5 cents fuel tax should be added bringing in \$50 million for the highway fund. Statewide school property tax was 35 mills in 1994 and lowered to 20 mills in the late 1990's. Some portion of this funding should be restored to help fund schools. The State made promises to assist local units of government with revenues they lost as the State lowered property taxes for business machinery and vehicles. These promises were forgotten in the great recession but should be restored in a recovering economy. Kansas has the second highest sales tax on groceries in the country. There should be a plan to lower the sales tax on food over a period of years.

Affordable housing has fallen off most any political priority list. Kansas has 1.2 million housing units with 68% owner occupied and 32% rentals. According to 2010 U.S. Census numbers, 40% of the renters (160,000) are cost burdened paying over 35% of income for housing expenses (including utilities) while 16% of homeowners are cost burdened. During the term of Governor Bill Graves, he had an affordable housing task force and research was collected on the cost and availability of housing in each county.

Today the Kansas Housing Resources Corporation collects none of that detailed data. The Governor is focused on repopulating rural counties and one of the greatest barriers is affordable housing. Affordable housing is essential to many special populations such as the elderly with assisted housing, the mentally ill and the disabled. Single mothers with children are particularly challenged to find affordable housing and avoid the dilemma of food insecurity for their families. Housing must be considered an integral component of economic development plans in all areas of the state.

The energy debate in Kansas is bubbling. Kansas City Power & Light (KCP&L) - through its owner Great Plains energy - is moving to buy Westar - the largest electric utility in Kansas that serves over 600,000 customers. KCP&L is now before the Kansas Corporation Commission (KCC) negotiating a rate plan to offer energy efficiency programs in Kansas. KCP&L has over \$60 million in such efficiency programs in Missouri. Of the 50 states, Kansas has been around 45th in having utility based or governmental energy conservation programs. The utilities and the KCC do not have a comprehensive understanding of energy efficiency opportunities in Kansas. No one knows how many of the 1.2 million housing units are adequately insulated? Kansas' greatest use of electricity comes in the summer caused by air conditioning but has no analysis of the efficiency of those air conditioners and the cost to replace old air conditioners instead of building an expensive natural gas fired peaking unit. Efficiency improvements - be it lighting or new motors or insulation or air conditioning - is substantially cheaper than generating power and the Kansas economy benefits with lower utility bills, more local consumer spending, less coal pollution and water savings.

The 'local food and farm' debate continues to expand in Kansas. The State's 'Local Food and Farm' task force produced a report for the 2016 Kansas Legislature and this task force has been extended for another year with a second report to be presented to the 2017 Kansas Legislature in January. The United States Department of Agriculture reports that a Kansan spends \$2,685 on food yearly (half for groceries, half for purchased meals) with just under 10% (\$260) spent on fruits and vegetables. For 2.9 million Kansans, the total for fruits and vegetables purchases is around \$770 million yearly but today only \$32 million (4%) is grown in Kansas. One third of all adults in Kansas are obese while one third of Kansas children are overweight or obese costing the health care system hundreds of millions in extra medical costs. In 2008, Kansas had 320 cities with a grocery store but today 85 of these cities' only grocery store have closed and most of these cities have populations under 2,500. In 2006, Kansas set a goal to generate 20% of its electricity renewably by 2020. The goal was met in 2016. If Kansas set a local food goal of 10% by 2022, over \$700 million in food purchase would stay local and reverberate throughout the entire state.

Over 300,000 Kansans have no medical coverage. Kansas could expand the Medicaid program (KanCare) and provide coverage to 150,000 of these Kansans. This would generate thousands of new jobs and give some relief to several rural hospitals that are suffering tremendous losses in taking care of the uninsured. Kansas could design this expansion along the lines of Indiana or Arkansas with employment requirements and the use of private insurance plans. Kansas privatized the Medicaid program into KanCare by giving contracts to three managed care organizations (MCO's). Kansas does not have an independent ombudsman to monitor the MCO's and assist consumers with complaints over coverage. Kansas has spent tens of millions on developing a new automated eligibility system that is years behind with severe cost overruns. The contractor has now admitted there are over 15,000 on a waiting list for KanCare services. With no expansion of KanCare, mental health services are denied to many. By law, the 27 community mental health centers are required to serve everyone. The State has provided a state block grant to cover the uninsured but as the budget crisis deepened the level of state support has fallen significantly. One consequence is that jails and emergency centers are bearing the costs.

Elections can matter. A civic dialogue can have true significance. Campaigns can mean something. Candidates can debate substantive issues and come to Topeka prepared to act. The basics of the Kansas economy – revenues, affordable housing, energy options, local food opportunities, medical care – require extra attention and action. As a voter, your role is essential in demanding an informed discussion and a plan of action. If you have not registered to vote in the August 2 primary, July 12 is the last day to register.